

TOWNSHIP OF SPRING LAKE, MICHIGAN
OTTAWA COUNTY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

March 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name SPRING LAKE TOWNSHIP	County OTTAWA
Audit Date 3/31/05	Opinion Date 9/8/05	Date Accountant Report Submitted to State: 9/20/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

NORMAN & PAULSEN, P.C.

Street Address

127 WEST CHICAGO ROAD

City

STURGIS

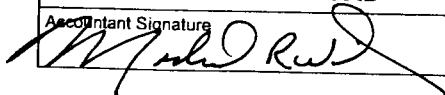
State

MI

ZIP

49091

Accountant Signature

 CPA Michael R. Wilson

Date

9/20/05

TOWNSHIP OF SPRING LAKE, MICHIGAN

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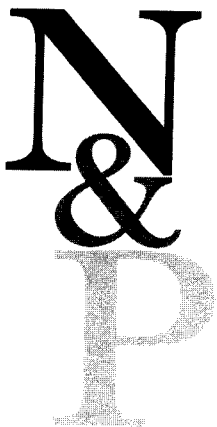
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TOWNSHIP OF SPRING LAKE, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Spring Lake, Michigan

Norman & Paulsen, P.C.

Certified Public Accountants

127 W. Chicago Road

Sturgis, MI 49091

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Spring Lake, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Spring Lake management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Spring Lake, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Spring Lake basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 1 to the financial statements, the Township of Spring Lake adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of April 1, 2004.

September 8, 2005

Norman J. Paulson, P.C.

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT' S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Spring Lake financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township's overall financial position increased by \$323,030 during the fiscal year ended March 31, 2005, which represents 2 percent of the net asset position at the beginning of the year. Included in the Township's total net assets of \$17,429,945 are the Sewage Disposal System Fund net assets of \$7,296,503 and the Water Supply System Fund net assets of \$5,652,906. The Sewage Disposal System's net assets increased by \$101,358 and the Water Supply System's net assets decreased by \$189,078.

The Township's Governmental Funds reflected a total fund balance at March 31, 2005 of \$3,162,815, which was an increase of \$1,991,695 from the prior year end. Included in this increase was the Bike Path Capital Projects Fund which reflected an increase in fund balance of \$1,974,725 and the Bike Path Millage Fund which reflected an increase in fund balance of \$274,191. The Township's General Fund reflected a decrease in fund balance of \$351,667.

The total Governmental Fund expenditures for the year ended March 31, 2005, amounted to \$2,583,217, of which \$826,859 (32 percent) was for general government; \$765,668 (30 percent) was for capital outlay; and \$570,513 (22 percent) was for public safety.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT' S DISCUSSION AND ANALYSIS

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2005	2004	2005	2004
Assets	\$ 3,274	\$ 1,282	\$ 19,691	\$ 20,592
Liabilities	111	111	6,742	7,555
Fund Equity				
Invested in capital assets, net of related debt	-	-	7,981	7,583
Retained Earnings				
Restricted	-	-	-	-
Unreserved	-	-	4,968	5,454
Fund Balances				
Reserved	2,585	311	-	-
Unreserved	578	860	-	-
Total Fund Equity	<u>\$ 3,163</u>	<u>\$ 1,171</u>	<u>\$ 12,949</u>	<u>\$ 13,037</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT' S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the net assets of the current date as required by GASB 34 stated under the full accrual basis. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

(dollars presented in thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Current and other assets	\$ 3,273	\$ 5,192
Capital assets	<u>3,467</u>	<u>14,499</u>
Total assets	6,740	19,691
Long-term debt outstanding	2,149	6,518
Other liabilities	<u>111</u>	<u>224</u>
Total liabilities	2,260	6,742
Net assets		
Invested in capital assets, net of related debt	1,317	7,981
Restricted	2,585	-
Unrestricted	<u>578</u>	<u>4,968</u>
Total net assets	<u>\$ 4,480</u>	<u>\$ 12,949</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2005	2004	2005	2004
Revenue				
Taxes	\$ 733	\$ 499	\$ -	\$ -
Special assessments	109	126	-	-
Licenses and permits	266	235	-	-
Federal grants	169	-	-	-
State shared revenue	746	779	-	-
Charges for services	328	276	2,550	2,498
Interest	22	9	107	165
Other	97	84	-	-
Bond issue proceeds	2,105	-	-	-
Total revenue	4,575	2,008	2,657	2,663
Program expenses				
General government	827	883	-	-
Public safety	571	509	-	-
Public works	118	139	-	-
Community and economic development	162	156	-	-
Recreation and cultural	114	115	-	-
Capital outlay	766	242	-	-
Debt service	25	28	-	-
Sewer system	-	-	663	683
Water system	-	-	1,111	980
Depreciation	-	-	721	691
Interest expense	-	-	250	300
Total expenses	2,583	2,072	2,745	2,654
Excess (deficiency)	\$ 1,992	\$ (64)	\$ (88)	\$ 9

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT' S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the changes in net assets as of the current date as required by GASB 34 stated under the full accrual basis of accounting. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

(dollars presented in thousands)

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Revenues		
Program revenues		
Charges for services	\$ 590	\$ 2,550
Operating grants and contributions	-	-
Capital grants and contributions	169	-
General revenues		
Property taxes	842	-
State shared revenues	746	-
Unrestricted investment earnings	22	107
Miscellaneous	<u>101</u>	<u>-</u>
Total revenues	2,470	2,657
Expenses		
General government	853	-
Public safety	650	-
Public works	118	-
Community and economic development	162	-
Recreation and cultural	271	-
Interest on long-term debt	5	-
Sewer system	-	956
Water system	<u>-</u>	<u>1,789</u>
Total expenses	<u>2,059</u>	<u>2,745</u>
Change in net assets	<u>\$ 411</u>	<u>\$ (88)</u>

The Township' s Funds

Our analysis of the Township's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. Major funds for the fiscal year ended March 31, 2005 include the General Fund and the Bike Path Capital Projects Fund.

The General fund pays for most of the Township's governmental services. The primary services include fire services and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

TOWNSHIP OF SPRING LAKE, MICHIGAN

MANAGEMENT' S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

As shown in the required supplemental information, the Township budgeted a decrease of \$594,226 in the original budget and a decrease of \$507,226 in the amended budget. Actual operating results ended up as a decrease of \$351,667.

The original budget was amended to reflect a reduction in general government expenditures and a reduction in public safety expenditures.

The actual results ended the fiscal year within \$155,559 of the amended budget. Capital outlay expenditures came in under the amended budget by \$192,408 primarily due to bike path projects which will instead be funded out of the Capital Projects Fund.

Capital Assets and Debt Administration

During the year ended March 31, 2005, the total capital assets of the Township increased by \$1,135,265. Additional detail relating to the asset additions follows:

The Sewer Utility System capital assets increased by \$183,942, which was all financed internally.

The Water Utility System capital assets increased by \$185,655, which was all financed internally.

Governmental Fund capital assets increased by \$765,668 which was partially funded with Bond Issue proceeds for Bike Paths \$(143,095), a Federal Grant for fire protection equipment \$(168,864) and the balance of \$453,709 was financed internally. The major capital asset addition which was financed internally was a Fire Truck - Rescue/Pumper for \$252,398.

During the year ended March 31, 2005, the total debt obligations of the Township increased by additional borrowings of \$2,105,000 and decreased by principal payments of \$772,070. Total debt obligations at March 31, 2005, amounted to \$8,667,045. The additional borrowing was a General Obligation Limited Tax Bond for the purpose of acquisition, construction and reconstruction of bicycle paths within the Township.

Contacting the Township' s Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Finance Director's office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF SPRING LAKE, MICHIGAN

**STATEMENT OF NET ASSETS
MARCH 31, 2005**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 3,034,950	\$ 4,031,169	\$ 7,066,119
Receivables, net	216,749	434,586	651,335
Receivables, long-term portion	-	564,068	564,068
Prepaid and other assets	21,870	161,742	183,612
Capital assets - net	<u>3,466,721</u>	<u>14,499,394</u>	<u>17,966,115</u>
Total assets	6,740,290	19,690,959	26,431,249
LIABILITIES			
Accounts payable	88,195	96,051	184,246
Accrued and other liabilities	22,559	127,454	150,013
Debt obligations:			
Due within one year	207,000	885,680	1,092,680
Due in more than one year	<u>1,942,000</u>	<u>5,632,365</u>	<u>7,574,365</u>
Total liabilities	<u>2,259,754</u>	<u>6,741,550</u>	<u>9,001,304</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,317,721	7,981,349	9,299,070
Restricted for:			
Capital projects	1,974,725	-	1,974,725
Bike path improvements	274,191	-	274,191
Street lighting	81,150	-	81,150
Harbor transit	14,622	-	14,622
Cemetery endowments	240,272	-	240,272
Unrestricted	<u>577,855</u>	<u>4,968,060</u>	<u>5,545,915</u>
Total net assets	<u>\$ 4,480,536</u>	<u>\$ 12,949,409</u>	<u>\$17,429,945</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN

**STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 853,391	\$ 248,840	\$ -	\$ -
Public safety	650,107	259,354	-	168,864
Public works	118,087	-	-	-
Community and economic development	161,552	81,796	-	-
Recreation and cultural	271,405	-	-	-
Interest on long-term debt	<u>4,620</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	2,059,162	589,990	-	168,864
Business-type activities:				
Sanitary sewer	955,723	985,317	-	-
Water	<u>1,789,398</u>	<u>1,565,110</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,745,121</u>	<u>2,550,427</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,804,283</u>	<u>\$ 3,140,417</u>	<u>\$ -</u>	<u>\$ 168,864</u>

General revenues:
 Property taxes
 State shared revenues
 Unrestricted investment earnings
 Miscellaneous

Total general revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR, as restated

NET ASSETS - END OF YEAR

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (604,551)	\$ -	\$ (604,551)
(221,889)	-	(221,889)
(118,087)	-	(118,087)
(79,756)	-	(79,756)
(271,405)	-	(271,405)
<u>(4,620)</u>	<u>-</u>	<u>(4,620)</u>
(1,300,308)	-	(1,300,308)
-	29,594	29,594
<u>-</u>	<u>(224,288)</u>	<u>(224,288)</u>
-	(194,694)	(194,694)
(1,300,308)	(194,694)	(1,495,002)
841,986	-	841,986
745,752	-	745,752
22,234	106,974	129,208
<u>101,086</u>	<u>-</u>	<u>101,086</u>
<u>1,711,058</u>	<u>106,974</u>	<u>1,818,032</u>
410,750	(87,720)	323,030
<u>4,069,786</u>	<u>13,037,129</u>	<u>17,106,915</u>
<u>\$ 4,480,536</u>	<u>\$ 12,949,409</u>	<u>\$17,429,945</u>

FUND FINANCIAL STATEMENTS

TOWNSHIP OF SPRING LAKE, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2005

	General Fund	Bike Path Capital Projects Fund
ASSETS		
Cash and cash equivalents	\$ 258,684	\$ 9,170
Investments	58,086	1,989,426
Accounts receivable	42,392	9,861
Due from other governmental units	139,108	-
Prepaid expenditures	18,820	-
Total assets	<u>\$ 517,090</u>	<u>\$2,008,457</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 51,356	\$ 33,732
Accrued liabilities	21,235	-
Total liabilities	72,591	33,732
Fund balances		
Reserved for:		
Capital projects	-	1,974,725
Bike path improvements	-	-
Street lighting	-	-
Harbor transit	-	-
Cemetery endowments	-	-
Unreserved, undesignated	444,499	-
Total fund balances	<u>444,499</u>	<u>1,974,725</u>
Total liabilities and fund balances	<u>\$ 517,090</u>	<u>\$2,008,457</u>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
--------------------------------	--------------------------------

\$ 479,312	\$ 747,166
240,272	2,287,784
2,116	54,369
23,272	162,380
<u>3,050</u>	<u>21,870</u>

<u>\$ 748,022</u>	<u>\$ 3,273,569</u>
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\$ 3,107	\$ 88,195
<u>1,324</u>	<u>22,559</u>

4,431	110,754
-------	---------

-	1,974,725
274,191	274,191
81,150	81,150
14,622	14,622
240,272	240,272
<u>133,356</u>	<u>577,855</u>
<u>743,591</u>	<u>3,162,815</u>

<u>\$ 748,022</u>	<u>\$ 3,273,569</u>
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TOWNSHIP OF SPRING LAKE, MICHIGAN

GOVERNMENTAL FUNDS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
MARCH 31, 2005

Total governmental fund balances \$ 3,162,815

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

Governmental capital assets	\$ 6,159,259	
Less accumulated depreciation	<u>(2,692,538)</u>	3,466,721

Certain liabilities are not due and payable in
the current period and therefore are not
reported in the funds.

Land contracts payable	(44,000)
Bonds payable	<u>(2,105,000)</u>

Net assets of governmental activities	<u>\$ 4,480,536</u>
---------------------------------------	---------------------

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2005

	General Fund	Bike Path Capital Projects Fund
REVENUES		
Taxes	\$ 459,440	\$ -
Special assessments	-	-
Licenses and permits	6,304	-
Federal grants	168,864	-
State shared revenue	745,752	-
Charges for services	327,848	-
Interest	3,910	12,820
Other	81,095	-
	<hr/>	<hr/>
Total revenues	1,793,213	12,820
EXPENDITURES		
General government	826,859	-
Public safety	379,342	-
Public works	14,016	-
Community and economic development	161,552	-
Recreation and cultural	113,918	-
Capital outlay	622,573	143,095
Debt service		
Principal	22,000	-
Interest	4,620	-
	<hr/>	<hr/>
Total expenditures	2,144,880	143,095
Excess (deficiency) of revenues over expenditures	(351,667)	(130,275)
OTHER FINANCING SOURCES		
Proceeds from bond issue	-	2,105,000
	<hr/>	<hr/>
Excess (deficiency) of revenues and other sources over expenditures	(351,667)	1,974,725
FUND BALANCE - Beginning of year	796,166	-
	<hr/>	<hr/>
FUND BALANCE - End of year	\$ 444,499	\$ 1,974,725
	<hr/>	<hr/>
See accompanying notes to financial statements		

Other Governmental Funds	Total Governmental Funds
\$ 273,652	\$ 733,092
108,894	108,894
259,354	265,658
-	168,864
-	745,752
-	327,848
5,504	22,234
<u>16,475</u>	<u>97,570</u>
663,879	2,469,912
-	826,859
191,171	570,513
104,071	118,087
-	161,552
-	113,918
-	765,668
-	22,000
<u>-</u>	<u>4,620</u>
<u>295,242</u>	<u>2,583,217</u>
368,637	(113,305)
<u>-</u>	<u>2,105,000</u>
368,637	1,991,695
<u>374,954</u>	<u>1,171,120</u>
<u>\$ 743,591</u>	<u>\$ 3,162,815</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

Net change in fund balances - total governmental funds \$ 1,991,695

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	765,668
Depreciation expense	(263,613)

Loan proceeds provide current financial resources to
governmental funds in the period issued, but issuing debt
increases long-term liabilities in the statement of net
assets. Repayment of loan principal is an expenditure in
the governmental funds, but the repayment reduces long-
term liabilities in the statement of assets.

Proceeds from debt obligations	(2,105,000)
Principal payments on debt obligations	<u>22,000</u>

Change in net assets of governmental activities	<u>\$ 410,750</u>
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See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
MARCH 31, 2005

	Sewage Disposal System Fund	Water Supply System Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 848,832	\$ 247,888	\$ 1,096,720
Investments	405,140	2,529,309	2,934,449
Special assessments	12,213	1,937	14,150
Accounts receivable	169,728	239,332	409,060
Interest receivable	401	10,975	11,376
Prepaid and other assets	<u>8,690</u>	<u>8,930</u>	<u>17,620</u>
Total current assets	1,445,004	3,038,371	4,483,375
NONCURRENT ASSETS			
Special assessments	371,074	192,994	564,068
Deferred bond costs	6,943	137,179	144,122
Capital assets, net of depreciation	<u>6,579,197</u>	<u>7,920,197</u>	<u>14,499,394</u>
Total noncurrent assets	<u>6,957,214</u>	<u>8,250,370</u>	<u>15,207,584</u>
Total assets	8,402,218	11,288,741	19,690,959
LIABILITIES			
CURRENT LIABILITIES			
Current portion of long-term debt	410,000	475,680	885,680
Accounts payable	44,692	51,359	96,051
Accrued liabilities	<u>12,609</u>	<u>114,845</u>	<u>127,454</u>
Total current liabilities	467,301	641,884	1,109,185
NONCURRENT LIABILITIES			
Long-term debt, net of current portion	<u>638,414</u>	<u>4,993,951</u>	<u>5,632,365</u>
Total liabilities	<u>1,105,715</u>	<u>5,635,835</u>	<u>6,741,550</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,530,783	2,450,566	7,981,349
Unrestricted	<u>1,765,720</u>	<u>3,202,340</u>	<u>4,968,060</u>
Total net assets	<u>\$7,296,503</u>	<u>\$5,652,906</u>	<u>\$12,949,409</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2005

	Sewage Disposal System Fund	Water Supply System Fund	Totals
OPERATING REVENUE			
Charges for services	\$ 530,347	\$1,032,058	\$ 1,562,405
Readiness to serve	-	151,144	151,144
Debt retirement	136,111	164,913	301,024
Special assessments	164,092	178,736	342,828
Hydrant rental	-	10,399	10,399
Trunkage charges	122,000	-	122,000
Reimbursements	18,520	4,725	23,245
Other	14,247	23,135	37,382
Total operating revenue	985,317	1,565,110	2,550,427
OPERATING EXPENSES			
Salaries	97,052	203,125	300,177
Fringe benefits	51,874	94,713	146,587
Operating supplies	22,858	71,389	94,247
Sewage treatment	381,646	-	381,646
Professional services	39,325	54,089	93,414
Repairs and maintenance	29,799	7,830	37,629
Insurance	7,748	7,950	15,698
Utilities	25,266	5,430	30,696
Water purchases	-	654,448	654,448
Miscellaneous	7,461	11,768	19,229
Depreciation	246,624	474,348	720,972
Total operating expenses	909,653	1,585,090	2,494,743
OPERATING INCOME (LOSS)	75,664	(19,980)	55,684
NONOPERATING REVENUE (EXPENSE)			
Interest income	71,764	35,210	106,974
Interest expense	(46,070)	(204,308)	(250,378)
Net nonoperating revenue (expense)	25,694	(169,098)	(143,404)
CHANGE IN NET ASSETS	101,358	(189,078)	(87,720)
NET ASSETS - BEGINNING OF YEAR	7,195,145	5,841,984	13,037,129
NET ASSETS - END OF YEAR	\$7,296,503	\$5,652,906	\$12,949,409

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2005

	Sewage Disposal System <u>Fund</u>	Water Supply System <u>Fund</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$1,074,314	\$1,396,157	\$2,470,471
Payments to suppliers	(555,811)	(819,555)	(1,375,366)
Payments to employees	(99,581)	(204,440)	(304,021)
Benefit payments	<u>(54,132)</u>	<u>(107,815)</u>	<u>(161,947)</u>
Net cash provided (used) by operating activities	364,790	264,347	629,137
Cash flows from capital and related financing activities			
Principal paid on debt	(410,000)	(340,070)	(750,070)
Interest paid on debt	(46,538)	(193,897)	(240,435)
Acquisition of capital assets	<u>(183,942)</u>	<u>(185,655)</u>	<u>(369,597)</u>
Net cash provided (used) by capital and related financing activities	(640,480)	(719,622)	(1,360,102)
Cash flows from investing activities			
Interest received	71,363	24,234	95,597
Sale or (purchase) of investments	<u>(202,590)</u>	<u>415,575</u>	<u>212,985</u>
Net cash provided (used) by investing activities	<u>(131,227)</u>	<u>439,809</u>	<u>308,582</u>
Net increase (decrease) in cash	(406,917)	(15,466)	(422,383)
Cash and Cash Equivalents - Beginning of Year	<u>1,255,749</u>	<u>263,354</u>	<u>1,519,103</u>
Cash and Cash Equivalents - End of Year	<u>\$ 848,832</u>	<u>\$ 247,888</u>	<u>\$1,096,720</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS - Continued
 YEAR ENDED MARCH 31, 2005

	Sewage Disposal System Fund	Water Supply System Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 75,664	\$ (19,980)	\$ 55,684
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	246,624	474,348	720,972
(Increase) decrease in:			
Accounts receivable	(8,633)	(22,475)	(31,108)
Special assessments receivable	97,630	(146,478)	(48,848)
Prepaid expenses	(8,690)	(8,930)	(17,620)
Increase (decrease) in:			
Accounts payable	(33,018)	2,322	(30,696)
Accrued liabilities	(2,531)	(1,358)	(3,889)
Due to other funds	<u>(2,256)</u>	<u>(13,102)</u>	<u>(15,358)</u>
Net cash provided by (used for) operating activities	<u>\$ 364,790</u>	<u>\$ 264,347</u>	<u>\$ 629,137</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN
FIDUCIARY FUNDS
BALANCE SHEET
MARCH 31, 2005

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>24,148</u>
LIABILITIES	
Undistributed tax collections	\$ <u>24,148</u>

See accompanying notes to financial statements

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Spring Lake conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to townships. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the Township are discussed below.

The Township adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* as of April 1, 2004. Certain of the significant changes in GASB 34 include the following:

- * A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operation has been included with the financial statements.
- * Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- * Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$5,393,591 previously reported in the General Fixed Asset Account Group. In addition, the governmental activities column includes debt obligations totaling \$66,000 previously reported in the General Long-Term Debt Account Group.
- * A change in the fund financial statements to focus on major funds.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Township also adopted GASB 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2004. GASB 38 modifies note disclosures required by GAAP. The adoption of this change in accounting principles had no effect on the financial condition or result of operations of any of the Township's funds as of and for the year ended March 31, 2005, but did change some of the disclosures required for the notes to the financial statements.

Reporting Entity

Spring Lake Township is located in Ottawa County, Michigan, and provides services to approximately 13,140 residents in many areas including public safety, highways and streets, general administrative services, fire protection, public utilities, and community enrichment and development. The Township is a general law township, and is governed by a 7-member board elected by the citizens of Spring Lake Township. The board consists of the supervisor, clerk, treasurer, and four trustees whom reside in the community.

As required by generally accepted accounting principles, GASB 14, these financial statements present the Township (the primary government) and its component units, entities for which the Township is considered to be financially accountable. There are no component units to be included in these financial statements.

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Township and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Township reports the following major funds:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Bike Path Capital Projects Fund - To account for the proceeds from the sale of General Obligation Limited Tax Bonds which will be used to finance the acquisition, construction and reconstruction of bicycle paths within the Township and the acquisition of interest in land.

Enterprise Funds

Water Supply System Fund - To account for user charges and for operating expenses and debt service of the Township's water system.

Sewage Disposal System Fund - To account for user charges and for operating expenses and debt service of the Township's sewer system.

The following is a description of three major categories and various fund types within those categories into which the funds are grouped:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Township:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Proprietary Funds - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are charges to customers for sales and services. The water and sewer funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund types of the Township:

Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs.

Agency Funds - Agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- * On or about March 31, the Township Board submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted to obtain taxpayer comments.
- * On or about April 1, the budget is legally enacted through passage of resolution.
- * The Township Board is authorized to transfer budgeted amounts within departments.
- * The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- * Appropriations for the general fund lapse at the end of the fiscal year.
- * Budgeted amounts are as originally adopted or as amended by the Board of Trustees.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts; deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government of federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Land improvements	15-40
Streets and bike paths	15-20
Utility systems	30-50
Buildings and improvements	15-50
Machinery and equipment	5-20
Vehicles	2-7
Furniture and other	3-7

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes - The Township's property taxes are levied as an enforceable lien on property as of December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and a portion of the taxes billed on behalf of other governments and school districts within the Township's boundaries. Real property taxes not collected as of March 1 are turned over to Ottawa County for collection. The County advances the Township 100% for delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township's treasurer. The Township's property taxes levied on December 1 provide the revenue for the current fiscal year.

Taxes collected and remitted to other governments and school districts are accounted for in the Tax Collection Fund.

The assessed and state equalized taxable value of real and personal property located in the Township totaled \$542,739,127. The Township's general operating levy for the year was based on a millage rate of .6310.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences - Township employees earn vacation and sick leave in varying amounts based on length of service. Vacation time of up to one week can be carried over, but unused sick leave does not accumulate past March 31 of each fiscal year. No portion of unused sick leave is paid to employees at the time of termination or retirement. It is the Township's policy to recognize the cost of sick leave at the time payments are made.

Fund Equity - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Township's deposits and investments are included on the balance sheet under the following classifications:

	Primary <u>Government</u>
Statement of Net Assets:	
Cash and investments	\$ 7,066,119
Statement of Fiduciary Net Assets:	
Cash	<u>24,148</u>
Total	<u>\$ 7,090,267</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS- Continued

Cash - Statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

At March 31, 2005, the book balance was \$3,563,767 and the bank balance (without recognition of outstanding checks or deposits in transit) was \$3,782,634, of which \$1,433,979 was insured by federal depository insurance and \$2,348,655 was uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments - Statutes require and Board resolutions authorize the Township to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements and mutual funds composed of the types of investment vehicles previously named.

The Township has monies invested in Drefus Government Cash Management Fund, and Franklin U.S. Government Fund. All funds in these accounts are invested in accordance with applicable state of Michigan statutes. The balance at March 31, 2005 was \$1,096,781. The Township has investments in U.S. Agencies of \$2,429,719. The U.S. Agencies are classified as Category 1 investments, which include investments that are insured, registered, or for which the securities are held by the Township or its agent in the Township's name.

NOTE 3 - RECEIVABLES

Receivables in the governmental activities are 75 percent due from other governments, 20 percent accounts receivable, and 5 percent accrued interest receivable. Business-type activities receivables are 58 percent special assessments receivable, 41 percent due from customers and 1 percent accrued interest receivable.

Accounts receivable in the governmental activities and the business-type activities are reported net of an allowance for uncollectible accounts of -0-.

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2005, was as follows:

	As Amended Balance April 1, 2004	Additions	Disposals	Balance March 31, 2005
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 693,481	\$ -	\$ -	\$ 693,481
Construction in progress	<u>75,773</u>	<u>305,640</u>	<u>-</u>	<u>381,413</u>
Subtotal	769,254	305,640	-	1,074,894
Capital assets, being depreciated:				
Land improvements	2,813,460	-	-	2,813,460
Buildings and improvements	1,039,807	-	-	1,039,807
Machinery and equipment	<u>771,070</u>	<u>460,028</u>	<u>-</u>	<u>1,231,098</u>
Subtotal	4,624,337	460,028	-	5,084,365
Accumulated depreciation				
Land improvements	1,406,730	187,564	-	1,594,294
Buildings and improvements	617,385	25,995	-	643,380
Machinery and equipment	<u>404,810</u>	<u>50,054</u>	<u>-</u>	<u>454,864</u>
Subtotal	<u>2,428,925</u>	<u>263,613</u>	<u>-</u>	<u>2,692,538</u>
Net capital assets being depreciated	<u>2,195,412</u>	<u>196,415</u>	<u>-</u>	<u>2,391,827</u>
Net capital assets	<u>\$ 2,964,666</u>	<u>\$ 502,055</u>	<u>\$ -</u>	<u>\$ 3,466,721</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 4 - CAPITAL ASSETS - Continued

	As Amended Balance April 1, 2004	Additions	Disposals/ Transfers	Balance March 31, 2005
Business-Type activities				
Capital assets, not being depreciated:				
Land	\$ 5,900	\$ -	\$ -	\$ 5,900
Capital assets, being depreciated:				
Buildings	164,559	-	-	164,559
Sewage disposal system	9,625,054	177,447	-	9,802,501
Water supply system	13,387,796	-	-	13,387,796
Machinery and equipment	<u>772,984</u>	<u>192,150</u>	<u>-</u>	<u>965,134</u>
Subtotal	23,950,393	369,597	-	24,319,990
Accumulated depreciation				
Buildings	33,669	5,273	-	38,942
Sewage disposal system	3,056,428	242,779	-	3,299,207
Water supply system	5,614,808	378,173	-	5,992,981
Machinery and equipment	<u>400,619</u>	<u>94,747</u>	<u>-</u>	<u>495,366</u>
Subtotal	<u>9,105,524</u>	<u>720,972</u>	<u>-</u>	<u>9,826,496</u>
Net capital assets being depreciated	<u>14,844,869</u>	<u>(351,375)</u>	<u>-</u>	<u>14,493,494</u>
Net capital assets	<u>\$14,850,769</u>	<u>\$ (351,375)</u>	<u>\$ -</u>	<u>\$14,499,394</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Business-type activities:

General government \$ 26,532
Public safety 79,594
Recreation
and Cultural 157,487

Sanitary Sewer \$ 246,624
Water 474,348

Total \$ 263,613

Total \$ 720,972

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 5 - LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended March 31, 2005:

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005	Current Portion
Governmental Activities					
General obligation bonds	\$ -	\$ 2,105,000	\$ -	\$ 2,105,000	\$ 185,000
Land contracts	66,000	-	22,000	44,000	22,000
	66,000	2,105,000	22,000	2,149,000	207,000
Business-Type Activities					
Revenue bonds	7,268,115	-	750,070	6,518,045	885,680
Total Primary Government Long-Term Debt	<u>\$ 7,334,115</u>	<u>\$ 2,105,000</u>	<u>\$ 772,070</u>	<u>\$ 8,667,045</u>	<u>\$1,092,680</u>

Long-term debt payables at March 31, 2005, consisted of the following individual issues:

Governmental Activities

General obligation Limited Tax Bonds are due in annual principal installments of \$185,000 to \$240,000 through June 1, 2014, with interest at 2.5% to 3.375% per annum \$ 2,105,000

Land contract - requires an annual payment of \$7,500 through June 28, 2007, with interest at 7.00% per annum 15,000

Land contract - requires an annual principal payment of \$14,500 through July 15, 2007 with interest at 7.00% per annum 29,000

Total Governmental Activities Long-Term Liabilities \$ 2,149,000

TOWNSHIP OF SPRING LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 5 - LONG-TERM DEBT - Continued

Business-Type Activities

Water Supply System Bonds are due in annual principal installments of \$74,550 to \$141,645 through May 1, 2010, with interest at 6.5% to 7.05% per annum \$ 805,422

Water Supply System Refunding Bonds (second refunding) are due in annual principal installments of \$61,061 to \$71,988 through May 1, 2010, with interest at 5.30% to 6.0% per annum 524,484

Water Supply System Refunding Bonds (second refunding) are due in annual principal installments of \$45,738 to \$63,525 through January 1, 2015, with interest at 4.70% to 5.875% per annum 510,004

Water Supply System Refunding Bonds are due in annual principal installments of \$147,097 to \$272,799 through October 1, 2010, with interest at 4.15% to 4.7% per annum 1,497,722

Sewage Disposal System Refunding Bonds are due in annual principal installments of \$20,000 to \$30,000 through November 1, 2009, with interest at 4.15% to 4.6% per annum 178,334

Sewage Disposal System Refunding Bonds are due in annual principal installments of \$38,710 to \$41,080 through November 1, 2004, with interest at 4.15% to 4.3% per annum 81,370

Sewage Disposal System Bonds are due in annual principal installments of \$30,000 to \$75,000 with the final payment due March 1, 2019, with interest at 4.70% to 5.05% per annum 730,000

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 5 - LONG-TERM DEBT - Continued

Water Supply System Refunding Bonds are due
in annual principal installments of \$26,708
to \$133,539 through May 1, 2021, with
interest at 4.625% to 5.2% per annum 1,460,709

Water Supply System Refunding Bonds are due
in annual principal installments of \$55,000
to \$65,000 through January 1, 2015, with
interest at 2.80% to 4.55% per annum 730,000

Total Business-Type Activities
Long-Term Liabilities 6,518,045

Total Primary Government Long-Term Debt \$ 8,667,045

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2005 including both principal and interest, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 207,000	\$ 53,468	\$ 260,468
2007	212,000	56,540	268,540
2008	195,000	49,943	244,943
2009	200,000	44,512	244,512
2010	205,000	38,687	243,687
2011-2015	<u>1,130,000</u>	<u>93,670</u>	<u>1,223,670</u>
Total	<u>\$ 2,149,000</u>	<u>\$ 336,820</u>	<u>\$ 2,485,820</u>
	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 885,680	\$ 309,607	\$ 1,195,287
2007	865,240	263,594	1,128,834
2008	840,500	204,986	1,045,486
2009	795,290	149,212	944,502
2010	750,070	109,596	859,666
2011-2015	1,785,950	331,000	2,116,950
2016-2020	<u>595,315</u>	<u>133,945</u>	<u>729,260</u>
Total	<u>\$ 6,518,045</u>	<u>\$ 1,501,940</u>	<u>\$ 8,019,985</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - RETIREMENT PROGRAMS

The Township has a defined contribution pension plan covering qualified employees to which the Township is required to contribute 10% of the employees' gross wages. Participating employees may contribute up to 10% of gross wages. Total contributions by the Township for the year ended March 31, 2005 were \$72,238.

The Township Fire Department has a separate pension plan which covers all participating firefighters. The plan's benefits are based on length of service and also includes pre-retirement death and disability benefits. All required contributions are paid by the Township. Total contributions by the Township for the year ended March 31, 2005 were \$8,167.

NOTE 8 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Township management and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township were adopted on a fund level basis.

During the year ended March 31, 2005, the Township incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF SPRING LAKE, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
REVENUES				
Taxes	\$ 507,350	\$ 507,350	\$ 459,440	\$ (47,910)
Licenses and permits	6,750	6,750	6,304	(446)
Federal grants	168,864	168,864	168,864	-
State shared revenues	725,000	725,000	745,752	20,752
Charges for services	351,000	351,000	327,848	(23,152)
Interest	8,000	8,000	3,910	(4,090)
Other	55,150	56,515	81,095	24,580
Total revenues	1,822,114	1,823,479	1,793,213	(30,266)
EXPENDITURES				
General government	891,699	821,699	826,859	(5,160)
Public safety	388,040	376,405	379,342	(2,937)
Public works	6,000	6,000	14,016	(8,016)
Community and economic development	182,000	182,000	161,552	20,448
Recreation and cultural	107,000	103,000	113,918	(10,918)
Capital outlay	814,981	814,981	622,573	192,408
Debt service				
Principal	22,000	22,000	22,000	-
Interest	4,620	4,620	4,620	-
Total expenditures	2,416,340	2,330,705	2,144,880	185,825
Excess (deficiency) of revenues over expenditures	(594,226)	(507,226)	(351,667)	155,559
FUND BALANCE - Beginning of year	796,166	796,166	796,166	-
FUND BALANCE - End of year	\$ 201,940	\$ 288,940	\$ 444,499	\$ 155,559

See accompanying notes to financial statements

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF SPRING LAKE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
MARCH 31, 2005

	Bike Path Millage Fund	Building Department Fund	Street Lighting Fund
ASSETS			
Cash and cash equivalents	\$ 256,877	\$ 133,378	\$ 76,523
Investments	-	28	-
Accounts receivable	17,314	-	5,958
Due from other governmental units	-	3,050	-
Prepaid expenditures	-	-	-
Total assets	<u>\$ 274,191</u>	<u>\$ 136,456</u>	<u>\$ 82,481</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES	\$ -	\$ 1,776	\$ 1,331
Accounts payable	-	1,324	-
Accrued liabilities	-	-	-
Total liabilities	-	3,100	1,331
FUND BALANCES			
Reserved for:			
Bike path improvements	274,191	-	-
Street lighting	-	-	81,150
Harbor transit	-	-	-
Cemetery endowments	-	-	-
Unreserved, undesignated	-	133,356	-
Total fund balances	<u>274,191</u>	<u>133,356</u>	<u>81,150</u>
Total liabilities and fund balances	<u>\$ 274,191</u>	<u>\$ 136,456</u>	<u>\$ 82,481</u>

<u>Harbor Transit Fund</u>	<u>Cemetery Endowment Fund</u>	<u>Combined Totals</u>
\$ 12,534	\$ -	\$ 479,312
-	240,272	240,272
2,088	-	2,116
-	-	23,272
-	-	3,050
<u>\$ 14,622</u>	<u>\$ 240,272</u>	<u>\$ 748,022</u>

\$ -	\$ -	\$ 3,107
-	-	1,324
-	-	4,431

-	-	274,191
-	-	81,150
14,622	-	14,622
-	240,272	240,272
-	-	133,356
<u>14,622</u>	<u>240,272</u>	<u>743,591</u>
<u>\$ 14,622</u>	<u>\$ 240,272</u>	<u>\$ 748,022</u>

TOWNSHIP OF SPRING LAKE, MICHIGAN
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 YEAR ENDED MARCH 31, 2005

	Bike Path Millage Fund	Building Department Fund	Street Lighting Fund
REVENUES	\$ 273,652	\$ -	\$ -
Taxes	-	-	108,894
Special assessments	-	259,354	-
Licenses and permits	539	1,226	231
Interest	-	177	-
Other	-	-	-
Total revenues	274,191	260,757	109,125
EXPENDITURES	-	191,171	-
Public safety	-	-	104,071
Public works	-	-	-
Total expenditures	-	191,171	104,071
Excess of revenues over expenditures	274,191	69,586	5,054
FUND BALANCE - BEGINNING OF YEAR	-	63,770	76,096
FUND BALANCE - END OF YEAR	<u>\$ 274,191</u>	<u>\$ 133,356</u>	<u>\$ 81,150</u>

<u>Harbor Transit Fund</u>	<u>Cemetery Endowment Fund</u>	<u>Combined Totals</u>
\$ -	\$ -	\$ 273,652
-	-	108,894
-	-	259,354
69	3,439	5,504
<u>4,588</u>	<u>11,710</u>	<u>16,475</u>
4,657	15,149	663,879
-	-	191,171
<u>-</u>	<u>-</u>	<u>104,071</u>
<u>-</u>	<u>-</u>	<u>295,242</u>
4,657	15,149	368,637
<u>9,965</u>	<u>225,123</u>	<u>374,954</u>
<u>\$ 14,622</u>	<u>\$ 240,272</u>	<u>\$ 743,591</u>